

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

AUDIT

January 1, 2000 to December 31, 2000

Fiscal Year Audited Under GAGAS: 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Erie-Ottawa Regional Airport Authority
3255 East State Road
Port Clinton, Ohio 43452

We have reviewed the Independent Auditor's Report of the Erie-Ottawa Regional Airport Authority, Ottawa County, prepared by Kraus, Hanck & Co., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Erie-Ottawa Regional Airport Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

October 25, 2001

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ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

Table of Contents

	<u>Page</u>
Administrative Personnel	i
Index of Funds	ii
Independent Auditors' Report	1
Combined Statement of Cash, Liabilities and Fund Cash Balances – All Fund Types	2
Combined Statement of Cash Receipts, Disbursements, and Changes In Fund Cash Balances – Governmental Fund Types	3
Notes to the Financial Statements	4- 7
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	8
Status of Prior Audit's Citations and Recommendations	9
General Comments	10
Conclusion Statement	11

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ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

3255 East State Road
 Port Clinton, Ohio 43452

**ADMINISTRATIVE PERSONNEL
 AS OF DECEMBER 31, 2000**

<u>Title/Name</u>	<u>Representing</u>	<u>Term of Office or Contract Period</u>	<u>Surety</u>	<u>Amount</u>
BOARD OF TRUSTEES				
President:				
James Parker	Ottawa County	07/15/96-12/31/02	-	
Trustees:				
Louis Zorn	Erie County	02/10/93-01/06/01	-	
Robert L. Strayer	Erie County	01/01/92-12/31/00	-	
Lloyd Washburn	Ottawa County	07/16/92-07/15/01	-	
Hugh Northup	Erie County	03/30/98-03/30/01	-	
Richard Biro	At-Large Member	06/09/93-07/15/01	-	
Richard Harman	Erie County	02/11/99-02/11/02	-	
Kenneth Benjamin	Ottawa County	09/24/99-09/24/01	-	
Richard Johnson	Ottawa County	07/01/93-07/15/01	-	
EXECUTIVE DIRECTOR				
Ralph Igllo		Indefinite	(A)	\$ 50,000
SECRETARY/TREASURER				
Mary Arquette		Indefinite	(A)	\$ 50,000

(A) The Cincinnati Insurance Company

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

Index of Funds

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund

Special Revenue Fund Type:

Airport Development Aid Program Fund

Airport Improvement Program Fund

KRAUS, HANCK & CO.

CERTIFIED PUBLIC ACCOUNTANTS

165 EAST WATER STREET
SANDUSKY, OHIO 44870-2563
TELEPHONE (419) 626-2152
TELECOPIER (419) 626-5896



RUSSELL F. KRAUS, JR., CPA
DONALD P. HANCK, CPA

THOMAS J. GOTTLIEB, CPA
TIMOTHY H. ZORN, CPA
EDWARD A. ZIPPAY, JR., CPA

September 26, 2001

Board of Trustees
Erie-Ottawa Regional Airport Authority
3255 East State Road
Port Clinton, Ohio 43452

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements as listed in the table of contents of the **Erie-Ottawa Regional Airport Authority, (the Authority)**, as of and for the year ended December 31, 2000. These financial statements are the responsibility of the **Authority's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the **Authority**, prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the **Authority**, as of December 31, 2000, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2001 on our consideration of the **Authority's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information of the **Authority's** management, the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Combined Statement of Cash, Liabilities and Fund
Cash Balances – All Fund Types
As of December 31, 2000

CASH

Cash	\$ <u>185,466</u>
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CASH BALANCES BY FUND TYPE

Governmental Fund Type:	
General Fund	\$ 71,992
Special Revenue Funds	<u>113,474</u>
Total Cash Fund Balance	<u>185,466</u>

The notes to the financial statements are an integral part of this statement.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
 Combined Statement of Cash Receipts, Disbursements, and
 Changes in Fund Cash Balances – Governmental Fund Types
 For The Year Ended December 31, 2000

	Governmental Fund Types		Totals
	General	Special Revenue	Memorandum Only
Revenue Receipts:			
County Grants	\$ 122,400	\$ 24,825	\$ 147,225
Rents and Leases	61,584	- 0 -	61,584
Fuel	129,455	- 0 -	129,455
Departure and Ramp Fees	14,994	- 0 -	14,994
Miscellaneous	8,720	- 0 -	8,720
Federal Grants	- 0 -	181,282	181,282
State Grants	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Revenue Receipts	337,153	206,107	543,260
Expenditure Disbursements:			
General Government	288,053	- 0 -	288,053
Contracts	12,456	- 0 -	12,456
Capital Outlay – Improvements	<u>359,781</u>	<u>216,248</u>	<u>576,029</u>
Total Expenditure Disbursements	<u>660,290</u>	<u>216,248</u>	<u>876,538</u>
Excess (Deficit) of Revenue Receipts Over Expenditure Disbursements	(323,137)	(10,141)	(333,278)
Other Financing Sources:			
Proceeds from Notes	440,800	- 0 -	440,800
Transfers	<u>(82,039)</u>	<u>82,039</u>	<u>- 0 -</u>
Total Other Financing Sources	<u>358,761</u>	<u>82,039</u>	<u>440,800</u>
Net Excess (Deficit) of Cash Receipts Over Cash Disbursements	35,624	71,898	107,522
Fund Balance, January 1	<u>36,368</u>	<u>41,576</u>	<u>77,944</u>
Fund Balance, December 31	<u>71,992</u>	<u>113,474</u>	<u>185,466</u>

The notes to financial statements are an integral part of this statement.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Notes To The Financial Statements
December 31, 2000

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The **Erie-Ottawa Regional Airport Authority (Airport Authority)** is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The **Airport Authority** operates under the direction of a nine-member board of trustees. four members are appointed by each Board of County Commissioners in Ottawa and Erie Counties. The ninth member is appointed at large by the other eight. The members serve without compensation, as outlined in Section 308.04 of the Ohio Revised Code. The secretary/treasurer is appointed by the board of trustees. The **Airport Authority** provides maintenance of runways and taxiways.

B. Basis of Accounting

The **Airport Authority** prepares its financial statements on a basis of cash receipts and disbursements, which is a basis prescribed or permitted by the Auditor of State of Ohio. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the **Airport Authority** under the basis of accounting used.

C. Fund Accounting

The **Airport Authority** maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund – The General fund is the general operating fund of the **Airport Authority**. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds – Special Revenue funds account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes.

D. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Notes To The Financial Statements
December 31, 2000

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

Note 2 – POOLED CASH AND INVESTMENTS

The **Airport Authority** maintains a cash and investment pool used by all funds. Each fund type’s portion of this pool is displayed on the Combined Statement of Cash and Fund Cash Balances – All Fund Types.

A. Legal Requirements

Statutes require the classification of monies held by the **Airport Authority** into three categories. Category 1 consists of “active” monies, those monies required to be kept in a “cash” or “near-cash” status for immediate use by the **Airport Authority**. Such monies must be maintained either as cash in the **Airport Authority’s** treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” monies, those monies not required for use within the current two year depository contract. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current two year depository contract.

Category 3 consists of “interim” monies, those monies which are not needed for immediate use but which will be needed before the end of the two year depository contract. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes and debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington. Effective July 1, 1994, bonds, notes, debentures, or other obligations or securities issued by the federal government instrumentalities are also permissible investments or interim notes;
3. Interim deposits in the eligible institutions applying for interim monies as provided in Section 135.08 of the Revised Code;

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Notes To The Financial Statements
December 31, 2000

Note 2 – POOLED CASH AND INVESTMENTS (Continued)

A. Legal Requirements (Continued)

4. Bonds and other obligations of the State of Ohio; and
5. No load money market funds consisting exclusively of obligations described in 1 or 2 above and repurchase agreements secured by obligations so long as made through eligible institutions mentioned in Section 135.03 of the Revised Code.

B. Deposits

At year-end, the carrying amount of the **Airport Authority's** deposits was \$185,466 and the bank balance was \$198,659. Only \$100,000 of the bank balance was covered by federal depository insurance.

Note 3 – CONTRACTUAL COMMITMENTS

At December 31, 2000, the **Airport Authority** had outstanding contractual commitments totaling \$55,531 in the General Fund Type and \$5,380 in the Special Revenue Funds Type. The projects included land acquisition and runway renovations.

Note 4 – DEBT OBLIGATIONS

Debt outstanding at December 31, 2000, consisted of the following:

General Obligation Bonds	
Principal Outstanding	\$ 535,000
Interest Rates	3.35-5.95 %

These bonds have been issued by Ottawa County on behalf of the **Airport Authority** for terminal and fuel farm improvements.

Note Payable Ottawa County	
Principal Outstanding	\$ 440,800
Interest Rates	4.50 %
Payments to start in March of 2001	

The proceeds from the note were used to construct new hangers for the Airport. Rent from these hangers will repay the note.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Notes To The Financial Statements
December 31, 2000

Note 4 – DEBT OBLIGATIONS (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2000, including interest payments of \$343,519 for general obligation bonds and \$228,493 for the note payable are as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	<u>Note Payable</u>
2001	\$ 50,652	\$ 23,200
2002	49,713	27,840
2003	48,742	27,840
2004	47,742	29,280
2005	46,712	29,280
2006-2010	248,706	153,720
2011-2015	240,485	166,080
2016-2020	<u>145,767</u>	<u>212,053</u>
Total	<u>878,519</u>	<u>669,293</u>

During 2000 the **Airport Authority** was not financially able to meet the debt payment for the general obligation bond. The debt payment was made by Ottawa County and Erie County. The Counties are committed to paying the **Erie-Ottawa Regional Airport's** debt if the **Authority** is not in a financial position to do so.

Note 5 – OPERATING LEASES

The **Authority** leases equipment under a noncancellable operating lease with a term in excess of one year. Total rent expense under all equipment leases for the year ended December 31, 2000 was \$3,569. Future minimum equipment lease payments for the next five years and in the aggregate are as follows:

2001	\$ 3,569
2002	2,082
2003	<u>- 0 -</u>
Total	<u>5,651</u>

Note 6 – LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, Kraus, Hanck & Co., CPAs performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The Auditor's recommendations and citation reports are included in a separate part of this presentation.

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KRAUS, HANCK & CO.

CERTIFIED PUBLIC ACCOUNTANTS

165 EAST WATER STREET
SANDUSKY, OHIO 44870-2563
TELEPHONE (419) 626-2152
TELECOPIER (419) 626-5896



RUSSELL F. KRAUS, JR., CPA
DONALD P. HANCK, CPA

THOMAS J. GOTTLIEB, CPA
TIMOTHY H. ZORN, CPA
EDWARD A. ZIPPAY, JR., CPA

September 26, 2001

Erie-Ottawa Regional Airport Authority
Port Clinton, Ohio

REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of **Erie-Ottawa Regional Airport Authority**, as of and for the year ended December 31, 2000, and have issued our report thereon dated September 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

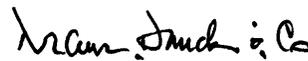
Compliance

As part of obtaining reasonable assurance about whether **Erie-Ottawa Regional Airport Authority's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Erie-Ottawa Regional Airport Authority's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the **Authority's** management, the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Status of Prior Audit's Citations and Recommendations

<u>Citations</u>	<u>Status</u>	<u>Explanation If Not Fully Implemented</u>
None		

<u>Recommendations</u>	<u>Status</u>	<u>Explanation If Not Fully Implemented</u>
None		

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
General Comments

The **Regional Airport Authority** officials were cooperative and available for questions and assistance during our regular working hours.

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY
Conclusion Statement

The audit report, including the citation and recommendations reports, was reviewed with and acknowledged by the following on October 4, 2001.

Lloyd Washburn – Trustee

Richard Johnson – Trustee

Jack Staples – Director

They were informed that officials had five working days from the date of the exit conference to respond to or contest, in writing, the report contents. No response was received.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ERIE-OTTAWA REGIONAL AIRPORT AUTHORITY

OTTAWA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2001**